Suppliers Conference

Transforming the Defense Logistics Agency

Allan Banghart
Director, Enterprise Transformation
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Discussion Points

- The Agency
- Our Case for Change
- Transformation
- BSM Backbone - Concept Demo
- The Rest of Transformation
- A Look Ahead

The Agency

The DLA Enterprise…

- 1312 Weapon Systems Supported
- $80B Inventory
- 20M Requisitions
- 23M Receipts & Issues
- 132M Net Barrels of Fuel Sold
- $13.5B Reutilizations/Disposals
- 22 Distribution Depots
- 4000 contracts/day

The DLA Enterprise…

People

21,000 civilians

500 active duty military

600 reserve military

48 states

28 countries

The DLA Enterprise…

FY02 Sales/Services: $21.5B

- Supply Centers $18.7B
  - Columbus $2.3B
  - Richmond $2.7B
  - Philadelphia $7.8B
- Energy Center $5.9B
- Distribution $1.4B
- Other $1.4B

FY03 Sales/Services: ~$25B

The DLA Enterprise…

Foreign Military Sales

- **Sales** $719M
- **Shipments** 670K

DLA's Top 100 customers include 24 nations

Scope of Business

- 1312 Weapon Systems Supported
- $80.5B Inventory
- 132M Net Barrels Sold
- $13.5B Reutilizations/Disposals
- 20M Annual Requisitions
- 23.3M Annual Rec
- 22 Distribution D

People

21,000 civilians
500 active duty military
600 reserve military
48 states
28 countries

Fortune 500: 2003
-DLA #78
-Lockheed Martin #79

FY02 Sal
$21.5

- Supply: $18.2B
  - Supply Center Columbus $2.3B
  - Supply Center Richmond $2.7B
  - Supply Center Philadelphia $7.8B
  - Energy Support Center $5.9B
- Distribution $1.4B annually
- Disposal $.3B annually
- Stockpile $.3B annually
- Document Automation & Production $.4B

Military Sales

- Sales $719M annually
- Shipments: 670k annually

DLA's Top 100 customers include 24 nations

Our Case for Change

Case for Change

1998 – "We Need to Change!"

- **Legacy Systems on Final Breath**
  - **Designed in the sixties, built in the seventies**
  - **6,000,000+ lines of COBOL code**
  - → **Mainframe environment, batch processing**
  - → **Stove piped applications, multiple instances**
  - → **Time late, data & financial integrity issues**

Five previous re-systemization attempts failed

Case for Change

1998 – "We Need to Change!"

→ Rapidly Changing Business Environment

- Transactional Customer Relationships

→ Typical DoD-Supplier Relationships

→ Inflexible Business Alignment

- Customer Dissatisfaction

→ Losing Sales and Market Position

Case for Change

1998 – "We Need to Change!"

- **Costs Not Well Understood**

→ "Holding Company Enterprise"-Vice-
"One Enterprise"

- **New Opportunities**

<u>Further influenced by</u>:
Defense Planning Guidance,
Quadrennial Defense Review, Joint Vision 2020 &
DoD's Future Logistics Environment

Addressing Our Challenges Through Transformation

The Transformation - What

From	To
Manager of requisitions	Customer driven
→ Manager of Supplies	→ Supply chain integrator
→ Holding Company	→ One Enterprise
Best DoD practices	Best practices
’60s Technology	Information dominance
Overwhelming mass	Agility, efficiency & effectiveness
Organic capability	Best provider

The Transformation - Elements

- Collaborating with Services' logistics teams

→ Collaborating to integrate supply chains

→ Reengineering processes to best practices

→ Re-tooling our workforce

→ Aligning organization with the business model

→ Mission-critical legacy systems being replaced with new enterprise architecture employing Commercial-off-the-Shelf (COTS) software

to

Improve War Fighter Readiness

Systems Modernization …The "Backbone"

Business Systems Modernization

- Order Fulfillment
- Planning
- Financial Management
- Procurement
- Tech & Quality

Customer Relationship Management

National Inventory Management Strategy

Fuels Automated System

Supplier Relationship Management

Dynamic Material Positioning

Strategic Distribution

Systems Architecture (SAP/Manugistics/PD^2/Windows 2000)

Common Protocols, Standards, Reference Data, Integrated Data Environment

Technical Architecture

Technical Infrastructure

Process Reengineering

Planning

- Demand by customer
- Collaboration
- Time-phase

Order Fulfillment

- Time Definite Delivery
- Available to Promise
- nt visibility

Technical & Quality

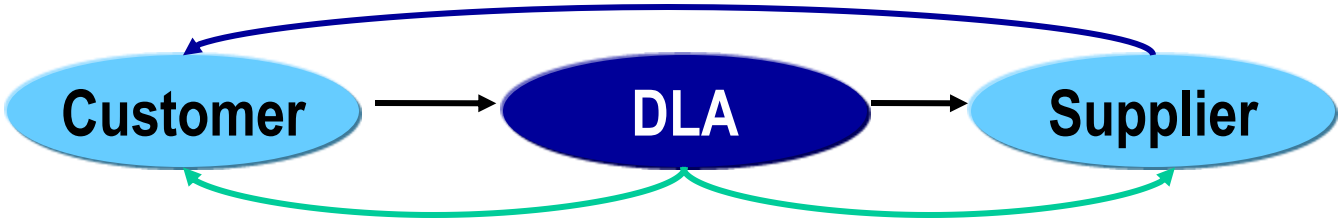
- Streamlined Item Introduction
- Comprehensive Product Lifecycle Management
- Improved Product Quality Assurance

Improve customer service by collaborating With Customers and Suppliers

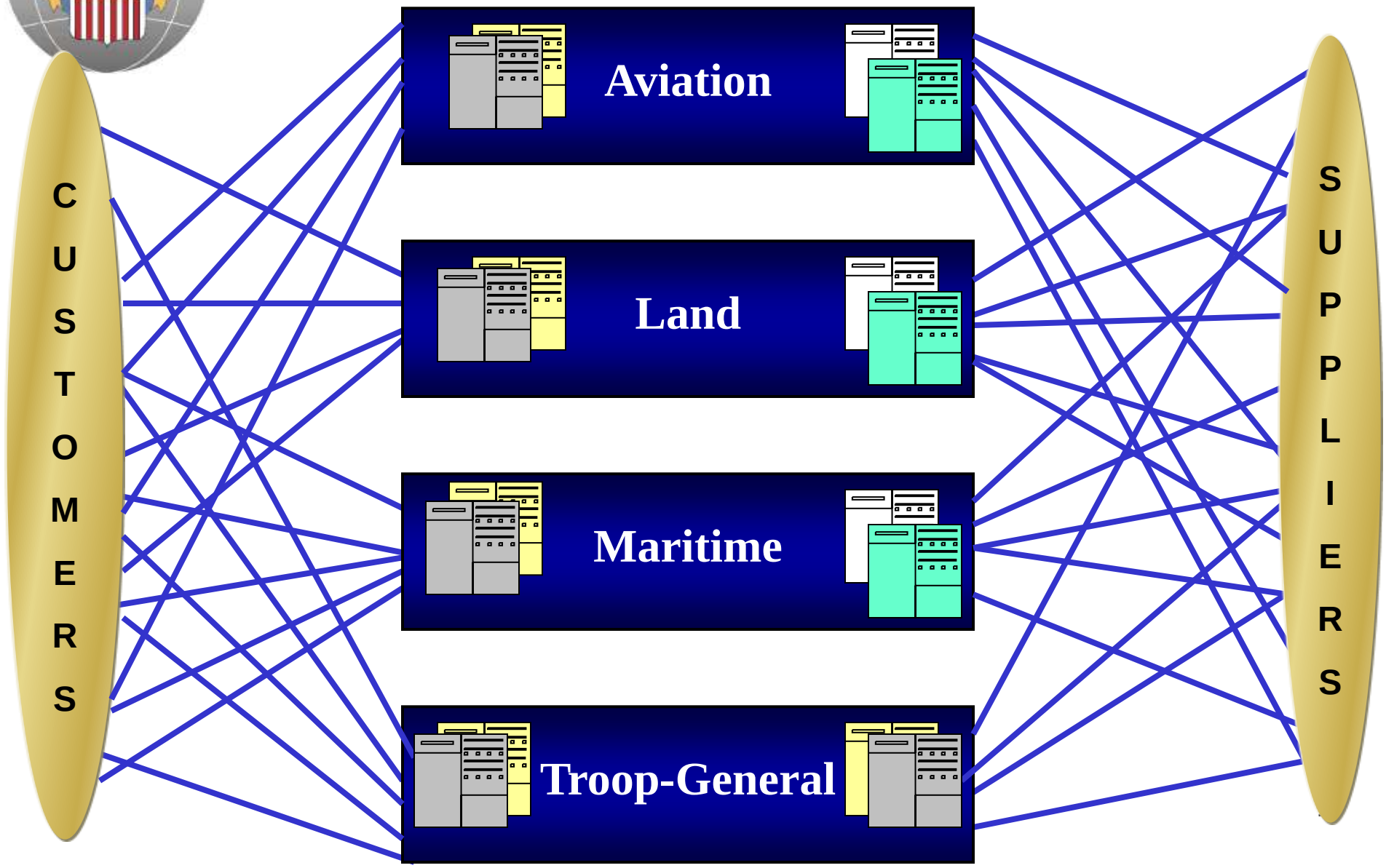
Provide Best Value Solutions

- Supplier pe
  managemen
- Capable to
- Web-based procurement
- Pay on receipt

- nce
- tegrated with
  nsactions
- Change in Inventory Valuation Methodology

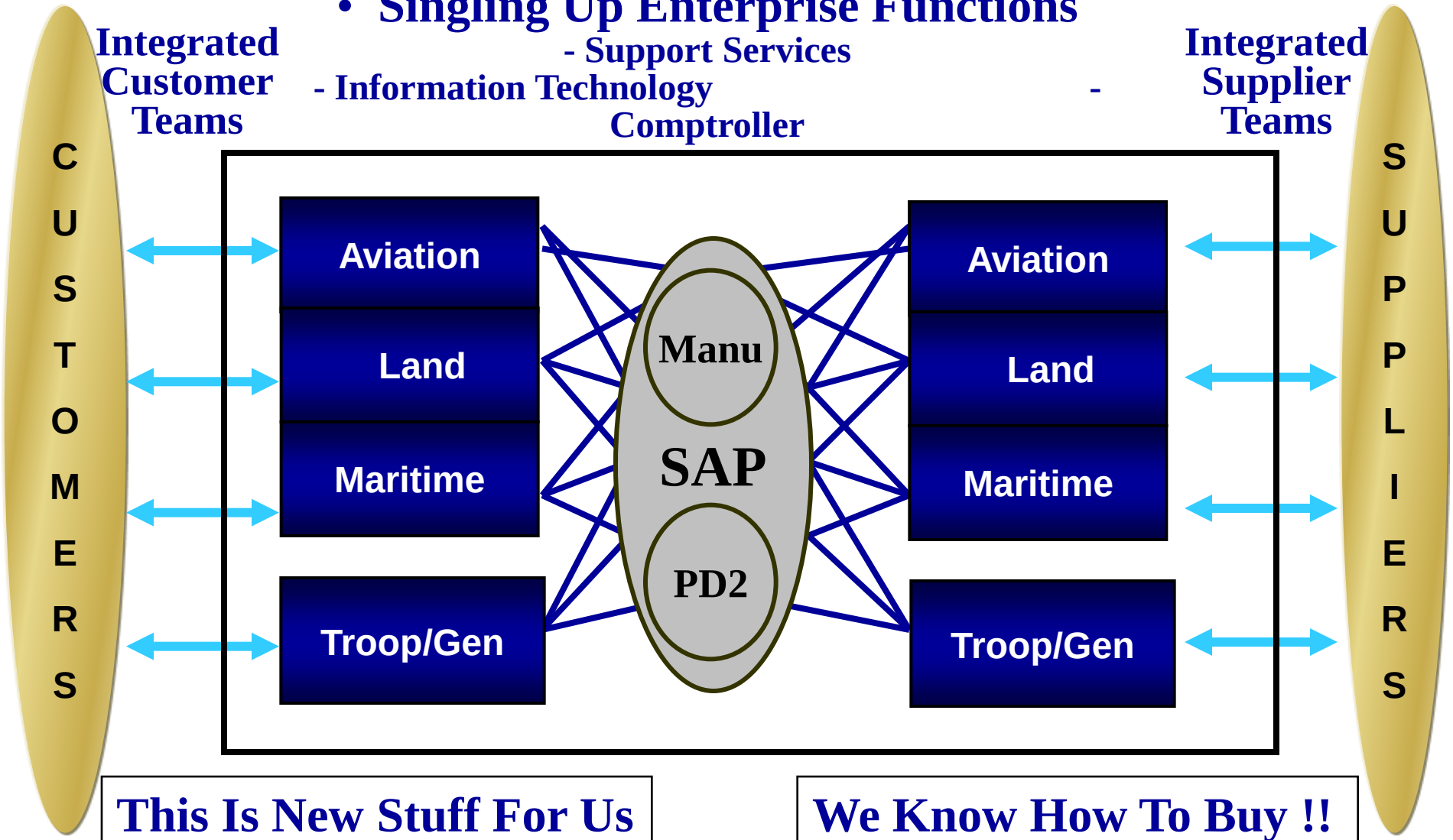


DLA Holding Company



Organizational Realignment

- One Virtual Hardware ICP
- Singling Up Enterprise Functions
  - Support Services
  - Information Technology
  - Comptroller



This Is New Stuff For Us

We Know How To Buy !!

Personnel Realignment

4,500 people impacted

- All new roles
- All new jobs
- All commercially based
- All receive role-based training

Job Series = 12	Jobs = 24	Position Descriptions = 54
Legacy = 27	Legacy = 47	Legacy = 225

Example: *Inventory Management Specialist*
Demand Planner

Workforce Transformation

Great strength of our workforce is a profound understanding of DLA's business models and processes, information flow, organizational structure, culture and IT systems

ERPs alter the entire landscape

Partnership Transformation

Great strength of our partnerships is a mutual understanding our business models and processes, information flow, organizational structure, culture and IT systems

ERPs alter the entire landscape

BSM Backbone - Concept Demo

Business Systems Modernization

- **Deployed 31 July ’02**
  - **Prove concept, manage and mitigate risk**
  - **Small % of DLA activity, … big business by any other measure**
- **Successful**
  - **All new, end-to-end integrated system fielded**
  - **One instance, multiple classes of materiel at three ICPs**
  - **Processes reengineered, organizations reshaped, workforce re-tooled**
  - **Supporting our mission today**

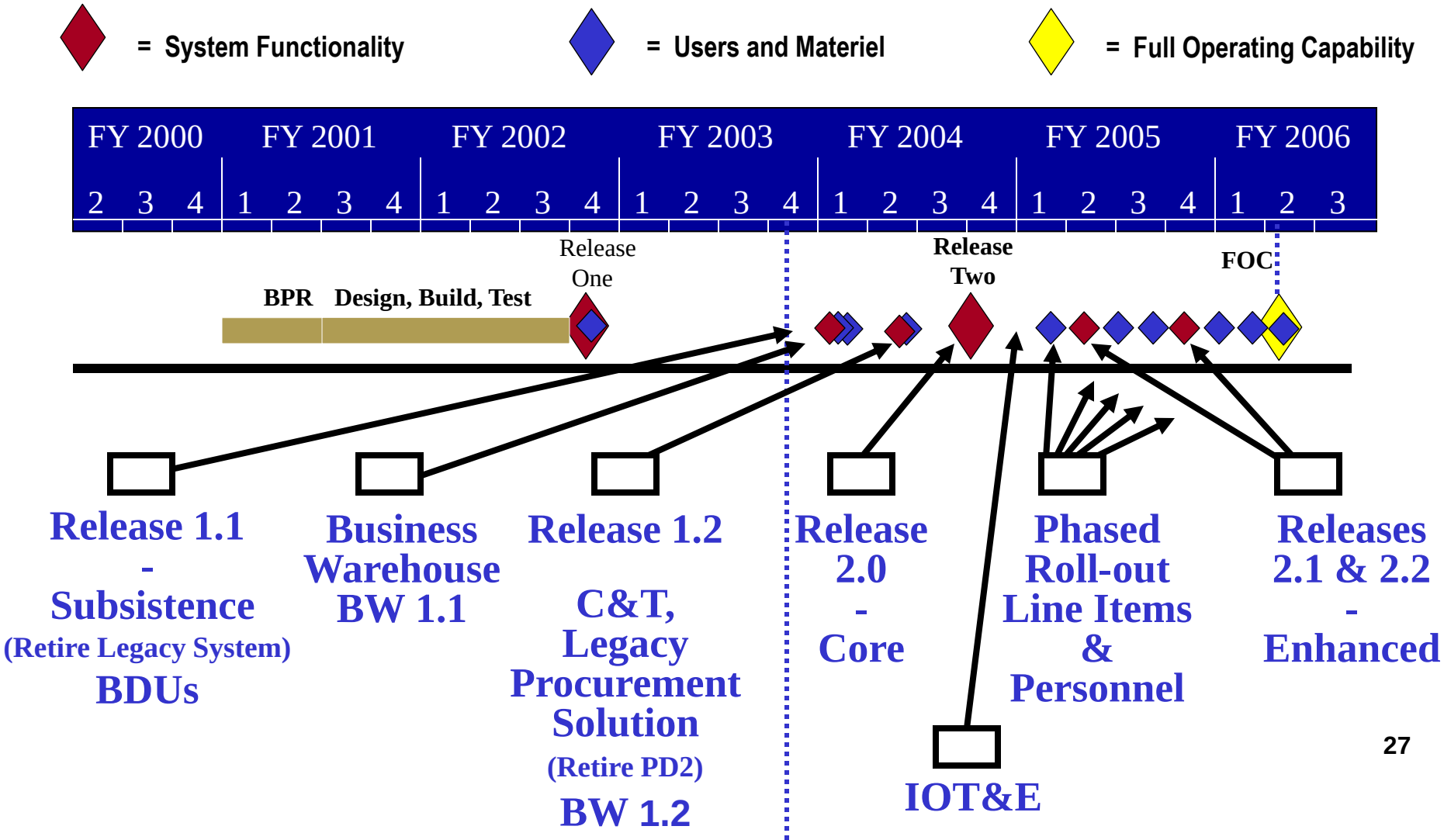
Business Systems Modernization

- **Successful, …but**
  - **Far harder, far longer and far more resources to stabilize than anticipated**
  - **Issues included: system log-on, access, interface, and responsiveness, software configuration and software-process mismatches, workload, <u>change management</u>, training, post "go-live" support and <u>communications</u>, …**
- **Lessons were learned and incorporated in Release Two development**

Procurement Solution

- **Procurement Strategy (July 31, 2002)**
  - **AMS' PD2 in Concept Demo**
  - **AMS' NGPD in Release Two**
  - **SAP in the end state**
- **NGPD headed in right direction, … could not meet BSM timelines (February 2003)**
- **Exercised legacy option of strategy (March 2003)**
  - **PD2 for Concept Demo**
  - **Single integrated instance of legacy in Release Two**
  - **SAP in the end state**

BSM Schedule



The Rest of Transformation

The Transformation – Key Initiatives

- **National Inventory Management Strategy**
  - Collaborative inventory investment reduction effort
  - Air Force and Navy pilots launched
- **Dynamic Material Placement (DPMS)**
  - Robust, commercial material positioning/management
  - First phase deployed, … completes in 2006
- **A-76**
  - 11 complete, 8 ahead, … $700M+ savings ’04-’09
  - 2600 end strength reduction, .. expect additional 1000 reductions in future competitions
- **Workforce Transformation**
  - eWorkforce, … 2002 – 2005
  - Capitalizing on DLA Training Resources

The Transformation – Key Initiatives

- **Customer Relationship Management**
  - Vital logistics supply chain integration enabler
  - Initial capability deployed, … completes 2007
- **Executive Agent**
  - DLA-Services partnership to synchronize log management
  - Fuel, medical, subsistence and construction, … pending
- **Supplier Relationship Management**
  - Strategic Material Sourcing
    - Long term contract (LTC) relationships with key suppliers
    - 400,000+ line items targeted, … 100,00+ on LTC
  - Strategic Supplier Alliances
    - 32 alliances targeted, … 9 established
  - Extending contractual relationships to partnerships

The Transformation – Key Initiatives

- **Strategic Distribution Partnership**
  - OSD, Joint Staff, Service, TRANSCOM and DLA
  - Successfully integrating logistics and transportation
- **Integrated Data Environment**
  - DoD wide log data exchange, interoperability
  - Piloted in 2001, … completes in 2007
- **Fuels Automated System**
  - Commercial software – best practices
  - Deploying for wholesale, … pursuing retail solution
  - Completes in 2006, … analyzing BSM integration

The Transformation Roadmap

Plus

A-76
BRAC 2005
&
Workforce Transformation

Business Systems Modernization

National Inventory Management Strategy

Dynamic Material Positioning

Strategic Distribution

Customer Relationship Mgmt

Executive Agent: fuels-subsistence

Supplier Relationship Mgmt

Strategic Materiel Sourcing

Integrated Data Environment

Fuels Automated System

$1.8 Billion in Savings on the line

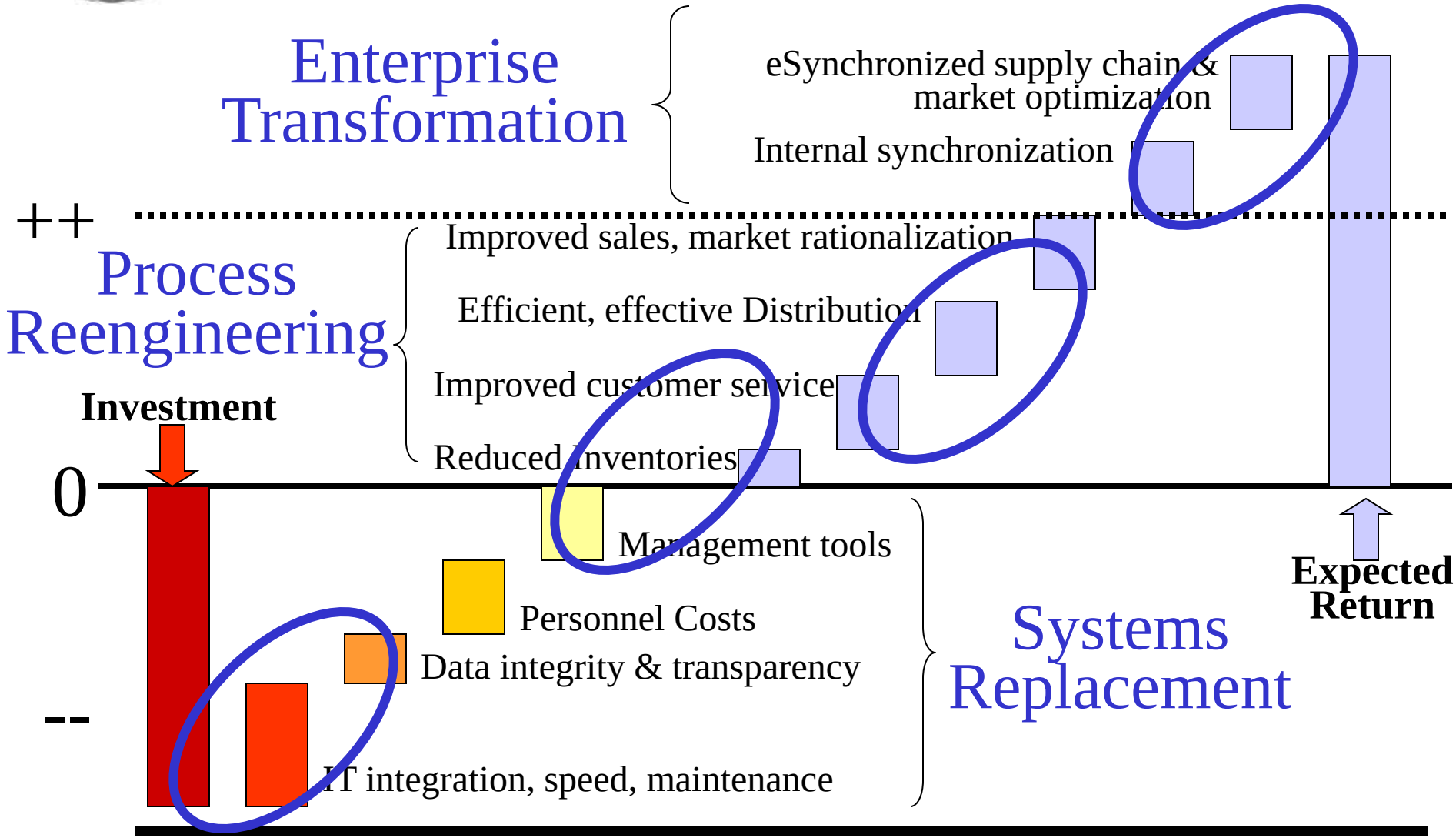
1998 → 2009

Looking Ahead

Dateline:

Seattle Times

Sunday
31 August 2003

Washington	**35**
Ohio State	**13**

Transformation Continuum